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CROSS-SECTORAL ISSUES, WITH PARTICULAR REFERENCE TO
THE CRITICAL ELEMENTS OF SUSTAINABILITY

Draft decision submitted by the Chairman

Trade, environment and sustainable development 1/

(Chapter 2 of Agenda 21)

1. The Commission on Sustainable Development takes note of the report of the Secretary-General on trade, environment and sustainable development (E/CN.17/1996/8 and Add.1), and welcomes with appreciation the analysis contained therein.

2. The Commission reiterates all decisions made at its second and third sessions on issues related to trade, environment and sustainable development.

3. As to trade measures in multilateral environmental agreements (MEAs), the Commission:

(a) Calls on Governments to ensure appropriate coordination between trade and environment officials at the national level and to take appropriate steps at the national and international levels in order to ensure the mutual supportiveness of trade and environment policies in support of sustainable development, and looks to the World Trade Organization (WTO) to address the

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1/ Recommendations with respect to UNCTAD should bear in mind the imminent outcome of UNCTAD IX, which is being held concurrently with the present session of the Commission.

relationship between WTO provisions and trade measures for environmental purposes, including those pursuant to multilateral environment agreements;

(b) Recognizes that positive measures, such as improved market access, capacity-building, improved access to finance, and access to and transfer of technology, taking into account the relationship between trade-related agreements and technology, are effective instruments for assisting developing countries in meeting multilaterally agreed targets in keeping with the principle of common but differentiated responsibilities;

(c) Notes that trade measures can, in certain cases, play a role in achieving the objectives of MEAs, while safeguarding a non-discriminatory and equitable multilateral trading system, and that positive measures should be employed, as appropriate, to reduce or obviate the necessity for trade measures to secure compliance with MEAs, and also stresses that the use of trade measures should not deter the consideration of other options that may be more effective. All measures should uphold Principles 7, 11 and 12 of the Rio Declaration on Environment and Development;

(d) Recognizes that the different trade provisions in MEAs may have different objectives and that they may involve broader economic and developmental issues, and invites the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Environment Programme (UNEP), jointly and in cooperation with WTO, in accordance with their respective mandates and competencies, to undertake further analysis on the issue of trade and environment, including policy instruments in MEAs, in particular positive measures, taking into account the specific context of each MEA, with a view to promoting sustainable development;

(e) Recalls its invitation at its third session to UNCTAD and UNEP, in cooperation with the United Nations Development Programme (UNDP), international financial institutions, and other relevant bodies, programmes and organizations, to examine the effects of trade measures in MEAs on the achievement of environmental goals and on trade and competitiveness of developing countries and countries with economies in transition, and to consider how positive measures could assist those countries in meeting their obligations under the MEAs.

4. As to environmental policies and competitiveness, the Commission:

(a) Recognizes that the link between environmental policies and competitiveness is a complex one, and notes that there is no available evidence to suggest that environmental policy generally has a significant detrimental impact on competitiveness. Efforts could be made to identify "win-win" opportunities in the design and implementation of environmental policies, which could improve resource efficiency, competitiveness, employment and market access;

(b) Firmly rejects the use of "green countervailing duties" or other protectionist or trade measures inconsistent with WTO to compensate for the negative competitiveness effects, whether real or perceived, of environmental policies;

(c) Stresses that it would be inappropriate to relax environmental laws, regulations and standards or their enforcement in order to encourage foreign direct investment or to promote exports;

(d) Considering that complying with the environmental requirements of importing countries may raise particular competitiveness concerns for developing countries and countries with economies in transition, recommends that Governments of developed countries facilitate continued market access for developing countries by ensuring greater transparency and providing them with technical and financial assistance in the area of environmental capacity-building in accordance with the provisions of relevant chapters of Agenda 21;

(e) Encourages UNCTAD to propose positive measures at the national and international levels for supporting developing countries in their efforts to achieve the objectives of sustainable development, focusing on capacity-building and support for national efforts to internalize environmental costs;

(f) Takes note of the progress report submitted by UNCTAD on the analytical study of the relationship of environmental protection to international competitiveness, job creation and development, and invites UNCTAD to further elaborate the study, with input from Governments and regional economic integration organizations, as well as the private sector, non-governmental organizations, and other relevant regional and international organizations, and to submit the results of the study to future sessions of the Commission, as appropriate.

5. The Commission recognizes that eco-labelling can have an impact on trade. The Commission invites Governments to ensure adequate transparency of eco-labelling, inter alia, by considering inputs from interested parties, including consumer and environmental groups, domestic and foreign producers, at an appropriately early stage in the design of the measures, and to encourage private bodies involved in eco-labelling to do the same. The Commission also calls upon national Governments and private bodies involved in eco-labelling to explore the scope for mutual recognition of procedures and approaches on the basis of equivalency at appropriately high levels of environmental protection, taking into account differing environmental and developmental conditions in different countries. The Commission also invites UNCTAD, UNEP, WTO and, as appropriate, the International Organization for Standardization (ISO) to give the fullest consideration to such concepts in future work on environmental labelling in the best interests of transparency.

6. The Commission supports the promotion of balanced public awareness and educational programmes on issues related to eco-friendly classification to assist both producers and consumers in making environmentally sound decisions.

7. As to trade liberalization and the environment, the Commission:

(a) Recalls the recommendation made in paragraph 67 of its report on its third session, in which it invited the UNEP/UNCTAD programme to carry out further work and report on the development of a framework to facilitate the assessment of the environmental impact of trade policies, taking into account

the special needs of developing countries and countries with economies in transition;

(b) Recognizes the usefulness of UNEP and the Food and Agriculture Organization of the United Nations continuing to examine the environmental effects on importing countries of the export of goods prohibited for sale on environmental grounds in the exporting countries;

(c) Invites UNCTAD, in cooperation with UNEP and other relevant organizations, such as the Organisation for Economic Cooperation and Development (OECD), taking into account work already under way at WTO, to examine how further trade liberalization, such as through the reduction or elimination of tariff escalation, export taxes or restriction, trade-distortive subsidies and the elimination of tariff and non-tariff barriers to trade, can result in environmental benefits and contribute to sustainable development, including by examining recent analyses on such topics;

(d) Reaffirms the importance of efforts aimed at internalizing environmental costs in order to promote the positive and avoid the negative environmental effects of trade liberalization.

8. As to sustainable development of the commodity sector, the Commission:

(a) Invites UNCTAD, in cooperation with UNEP, the United Nations Industrial Development Organization and other relevant organizations, to assist developing countries in implementing pilot projects in export-oriented production and processing activities aimed at internalizing environmental costs;

(b) Encourages international organizations, Governments and the business community to intensify the search for pragmatic methods for increasing cooperation between exporters and importers with a view to facilitating developing countries' efforts to internalize environmental costs in their development process and to assess the scope for the establishment of sectoral round tables and other formal or informal arrangements for identifying efficient and cost-effective approaches.

9. As to biological diversity and trade issues, the Commission welcomes UNCTAD's BIOTRADE initiative as a collaborative effort, with the secretariat of the Convention on Biological Diversity, interested United Nations agencies and other intergovernmental and non-governmental organizations, the private sector, local communities and academic institutions, aimed at strengthening capacity-building, and encourages further consultations in that area.

10. The Commission invites UNCTAD, UNDP, the International Trade Centre UNCTAD/GATT, UNEP and other relevant United Nations bodies to strengthen cooperation in the implementation of a programme of technical assistance for capacity-building in accordance with the mandates and expertise of each agency, inter alia, with a view to assisting developing countries and countries with economies in transition in participating effectively in international deliberations on trade and environment, international trade negotiations and international environmental negotiations.

11. The Commission takes note of the preliminary background paper prepared by UNCTAD on research into trade, environment and sustainable development linkages carried out by international organizations, as well as academic institutions and non-governmental organizations in developed and developing countries; encourages additional research in particular areas where gaps exist; and recommends that international and bilateral aid agencies support research activities in developing countries and countries with economies in transition, in particular in these areas.

12. The Commission:

(a) Takes note of the work of the WTO Committee on Trade and Environment, looks forward to a substantive report on the results of its deliberations, including further progress in making trade and environmental policies mutually supportive in order to promote sustainable development, and invites ministers to consider all items listed in the Marrakech Decision on Trade and Environment of 15 April 1994, taking into account the objectives of Agenda 21 and the Rio Declaration on Environment and Development, and to give due consideration to the results of the deliberations of the Commission at the present session;

(b) Looks to the WTO ministerial meeting in Singapore to continue the important work of the WTO Committee on Trade and Environment;

(c) Invites UNCTAD and UNEP to transmit the results of their activities in the area of trade, environment and sustainable development to the WTO Committee on Trade and Environment for consideration at the WTO ministerial meeting in Singapore;

(d) Requests UNCTAD, in accordance with operative paragraph 27 of General Assembly resolution 50/95 of 20 December 1995, to continue its special role in the field of trade and environment, and invites UNCTAD IX to consider appropriate arrangements for carrying out intergovernmental activities, taking into account its mandate and competence, as well as the need for continued cooperation and complementarity in the work of UNCTAD, UNEP and WTO;

(e) Invites UNEP to continue its work on trade and environment in accordance with its mandate;

(f) Invites the regional commissions, within their mandates and taking into account the specific context of each region, and OECD, in close cooperation with the competent international organizations, such as UNCTAD, UNEP and WTO, to organize meetings, as necessary, for the purpose of enhancing coordination on trade and environment;

(g) Recalls General Assembly resolution 50/95, in which the Assembly requests UNCTAD and invites WTO, in accordance with their respective mandates and competence and in close cooperation with other competent United Nations bodies and the regional commissions, to address trade and environment matters comprehensively, and to report, through the Commission, to the Economic and Social Council and to the Assembly at its special session, in 1997, on the concrete progress achieved on the issue of trade and environment;

(h) Invites UNCTAD and UNEP to continue their joint programme of work on trade, environment and sustainable development, in accordance with chapter I, paragraph 59 of its report on its third session and operative paragraph 14 of Assembly resolution 50/95 of 20 December 1995;

(i) Takes note of the ongoing analytical work being conducted by OECD on trade and environment, especially that of the Joint Session of Trade and Environment Experts, including its report to the OECD Council at the ministerial level in May 1995, and encourages OECD to make available to the Commission the results of that work.